

MERCHANTS BANCORP REPORTS 15% LOAN GROWTH (10/12/07)

For More Information Contact:	Tom Perrick	Jef Baker
	President	SVP/CFO
	503-674-3167	503-674-3401

Summary of Financial Results:

Gresham, OR, October 12 – Merchants Bancorp, the holding company for MBank, reported continued net loan growth year over year of 15.3%. With significant expansion efforts underway in 2007, year to date net income decreased by 23.0% to \$1.9 million, or \$0.40 per diluted share, compared to \$2.4 million, or \$0.52 per diluted share, in the first nine months of 2006. Earnings per share have been retroactively adjusted for subsequent stock dividends. “With a focus and investment in continued growth, we are excited to have recently opened our fifth branch, located in Portland’s Hollywood district, and look forward to the official grand opening on October 18,” stated Tom Perrick, President.

Interest Income and Interest Expense:

Interest income for the third quarter grew 22.9% to \$5.7 million, compared to \$4.7 million in the same period a year ago. Given an industry-wide focus on deposit growth and strong pricing competition, interest expense grew 47.8% to \$2.5 million, compared to \$1.7 million for the third quarter of 2006. The net result in the third quarter of 2007 is net interest income grew to \$3.2 million, an 8.7% increase over third quarter 2006 net interest income of \$3.0 million. “Given this highly competitive operating environment, we are pleased to deliver increasing operating revenue provided by net loan growth and continued core deposit increases,” commented Jef Baker, Chief Financial Officer.

Non-Interest Income and Non-Interest Expense:

Non-interest income of \$217 thousand for the quarter ended compared to \$428 thousand for the same period a year ago reflects the significant declines experienced in the mortgage industry. Non-interest expense for the third quarter was \$2.7 million, a 21.1% increase from \$2.2 million in the third quarter of 2006. This increase directly correlates with expenses related to MBank’s investment in the new branch during the third quarter.

Assets and Shareholders Equity:

Total assets grew to \$292.1 million at September 30, 2007, an increase of 14.7% over September 30, 2006 assets of \$254.6 million. Shareholders’ equity increased 19.9% to \$27.5 million at quarter end, compared to \$22.9 million as of September 30, 2006. Book value per share of common stock at September 30, 2007 was \$5.91 compared to \$5.29 at September 30, 2006 (adjusted for the 2007 stock dividend). Tangible book value per share at September 30, 2007 was \$5.66 compared to \$5.05 at September 30, 2006 (adjusted for the 2007 stock dividend). At September 30, 2007, there were 4,650,466 shares of Merchants Bancorp common stock outstanding.

Loans:

MBank’s net loan portfolio grew 15.3% to \$242.4 million at September 30, 2007, compared to \$210.2 million at September 30, 2006. Year to date charge-offs are immaterial and nonperforming assets at September 30, 2007 totaled \$1.1 million, or 0.38% of total assets. The loan loss allowance at September 30, 2007 was \$2.4 million, or 0.99% of gross loans. “Despite the challenges facing many financial institutions, our

lending team has truly delivered by providing the quality loan production in line with our strategic growth goals,” commented Tom Sciarretta, Manager Relationship Banking.

Deposits:

Deposits increased 21.4% to \$214.0 million at September 30, 2007, compared to \$176.2 million at September 30, 2006.

About Merchants Bancorp

Merchants Bancorp (NASDAQ: MBNC.OB) is the financial holding company for MBank, equal housing lender and member of FDIC, which operates five branches in the Portland Metropolitan area. The branches are located in Gresham, Gladstone, Lake Grove, at 94th and Stark Street and at 37th and Broadway. MBank also provides mortgage lending services through MBank Mortgage. Wealth management and investment services are offered through Fenton, Wangler Financial LLC, a majority-owned subsidiary of Merchants Bancorp.

MERCHANTS BANCORP

Selected Consolidated Financial Highlights
(in thousands, except per share data and ratios)
Unaudited

	September 30,		Percent Change
	2007	2006	
Balance Sheet Data			
Gross loans	\$ 245,960	\$ 213,785	15.1%
Net loans	242,430	210,205	15.3%
Allowance for loan losses	2,429	2,150	13.0%
Total Assets	292,101	254,605	14.7%
Deposits	214,006	176,233	21.4%
Shareholders' equity	27,472	22,921	19.9%
	Quarter Ended Sept 30,		
	2007	2006	
Income Statement Data			
Interest income	\$ 5,749	\$ 4,677	22.9%
Interest expense	2,517	1,703	47.8%
Net interest income	3,232	2,974	8.7%
Provision for loan losses	48	54	-11.1%
Noninterest income	217	428	-49.3%
Noninterest expense	2,653	2,190	21.1%
Income before taxes	751	1,141	-34.2%
Provision for income taxes	270	355	-23.9%
Net income	481	786	-38.8%
Share Data			
Basic earnings per common share	\$ 0.10	\$ 0.18	-44.4%
Diluted earnings per common share	0.10	0.18	-44.4%
Book value per common share	5.91	5.29	11.7%
Tangible book value per common share	5.66	5.05	12.1%
Key Ratios			
Return on average assets	0.67%	1.24%	-46.0%
Return on average equity	7.07%	14.10%	-49.9%
Net interest margin	4.76%	5.32%	-10.5%
Efficiency ratio	76.89%	64.40%	19.4%

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Selected Consolidated Financial Highlights
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Unaudited

	Nine Months Ended Sept 30,				
	2007		2006		
Income Statement Data					
Interest income	\$	17,041	\$	15,232	11.9%
Interest expense		7,322		5,708	28.3%
Net interest income		9,719		9,524	2.0%
Provision for loan losses		104		351	-70.4%
Noninterest income		1,057		1,291	-18.1%
Noninterest expense		7,808		6,699	16.6%
Income before taxes		2,848		3,708	-23.2%
Provision for income taxes		989		1,294	-23.6%
Net income		1,859		2,414	-23.0%
Share Data					
Basic earnings per common share	\$	0.40	\$	0.52	-23.1%
Diluted earnings per common share		0.40		0.52	-23.1%
Book value per common share		5.91		5.29	11.7%
Tangible book value per common share		5.66		5.05	12.1%
Key Ratios					
Return on average assets (annualized)		0.87%		1.23%	-29.3%
Return on average equity (annualized)		9.33%		13.81%	-32.4%
Net interest margin		4.93%		5.48%	-10.0%
Efficiency ratio		72.46%		61.94%	17.0%